

CHUKKA CAPITAL

CHUKKA's
2026 BACK-TO-SCHOOL BONUS

LEADERSHIP + STRATEGY PLAYBOOK Exercise

Lock in your 2027 GAME on both sides!

Appendix contains Cliff Notes for key takeaways and tips from the Founder's religious educational journey.

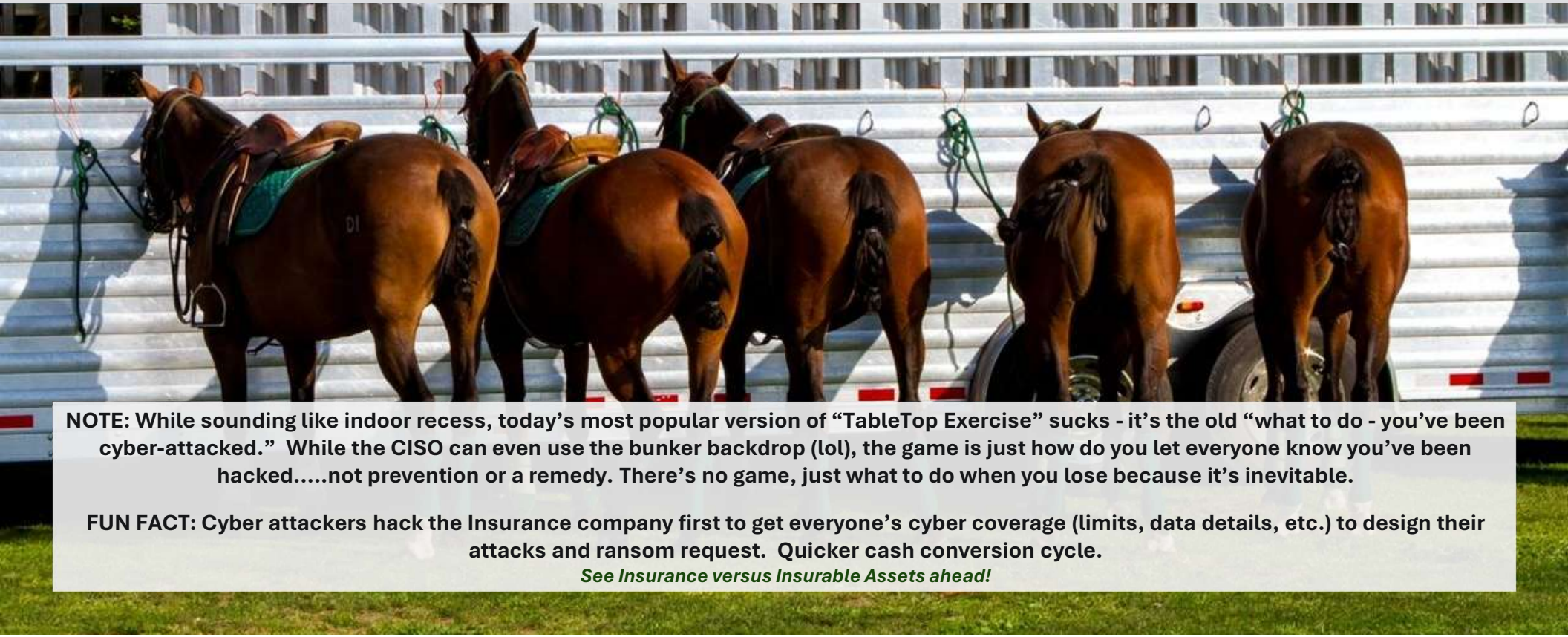
Chukka PLAYBOOK EXERCISE

1. Define the Opportunity
2. Select Leadership (2 players) plus supporting roster
3. Baseline the Cash Conversion Cycle for the Opportunity
4. Run scenarios for valuation in 5 years (small, medium, large), marking operating trend lines and assumptions
5. Calculate exit value, stock versus asset transaction

TABLETOP EXERCISE AHEAD!

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In corporate world, 'TABLETOP EXERCISE' is how you get a team excited about a meeting by indicating there is a game involved. It can improve attendance and engagement, done right.



NOTE: While sounding like indoor recess, today's most popular version of "TableTop Exercise" sucks - it's the old "what to do - you've been cyber-attacked." While the CISO can even use the bunker backdrop (lol), the game is just how do you let everyone know you've been hacked.....not prevention or a remedy. There's no game, just what to do when you lose because it's inevitable.

FUN FACT: Cyber attackers hack the Insurance company first to get everyone's cyber coverage (limits, data details, etc.) to design their attacks and ransom request. Quicker cash conversion cycle.

See Insurance versus Insurable Assets ahead!

1 DEFINE THE OPPORTUNITY : THE EXERCISE SET-UP

While each player has their own pony (expertise + capacity)
The *simulated* OPPORTUNITY Pony can be defined as any existing or potential packaging of economic activity

HOW TO USE

Use to evaluate a new or existing business, service line, client base/market, office or region opportunity over 5-year horizon including
Risk of Execution to achieve goals.



A LEADERSHIP GAME

Leadership is a combination of **Authority** and **Execution**.
This exercise takes your playbook through the execution options rather than stopping at the pitch, training two leaders with two different roles at the same time.

THE PRIZE

The CUP is the VALUE GOAL in 5 years whether measured in $, People or Things.
Run Rate (client base) and/or Accumulated Wealth.

Ahead: How to align Chukkas to Measure Progress!

Ahead: Stock versus Asset Exits or Liquidity events!

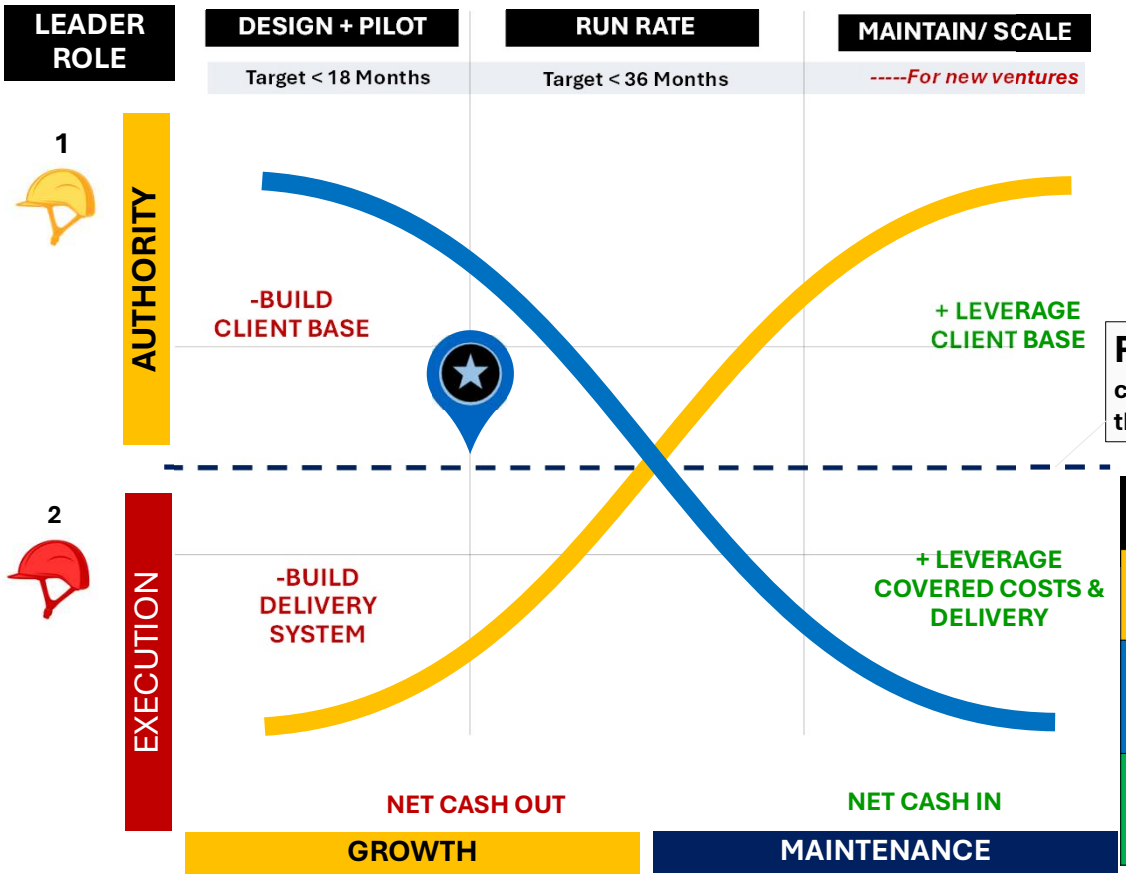
TEAM ROSTER

4 Players required:
- Authority / Leader 1
- Execution / Leader 2
- Governance / Rules + Risk
- Rookie/ extra utility

Ahead: Each Players Role!

1 DEFINE the TEAM for the MATURITY of the OPPORTUNITY

Align YOUR OPPORTUNITY's place in its own BUSINESS CYCLE
Illustrative time scale based on professional service firms or divisions ($0 to $1B in Revenue)



OPPORTUNITY MATURITY

Each phase of growth has a different relationship between labor/effort and return/ money. Align on the current positioning in determining the right leadership roles and team

RUN RATE: **Monthly Revenue level to produce desired NET cash flow consistently. Stabilize before scale. In project-based consulting firms, break-through occurs around $4-5 million revenue.**

ROSTER

Authority [1] and Execution [2] roles are next...
Plus, two other key roles:

3	Governance or a "risk monitor" measures shifts in market/external or internal/'house' risk. Typically, a General Counsel (i.e. T&C trends), this role also makes deciding calls when there's unresolved conflict.
4	Extra energy or utility to run the numbers, hunt the data and assist across the board. Typically, Chief of Staff or "Corporate Development" team ☺

2 ASSIGN LEADERSHIP FOR THE OPPORTUNITY

Assign 2 LEADERS with roles between Authority and Execution on the Opportunity

Illustrative roles based on professional service firms or divisions ($0 to $1B in Revenue)











AUTHORITY [A]	Role*	EXECUTION [E]
CEO -VP of Sales	Common Governing Title -Subtitle	CFO -VP of Operations
Long-Term (3-5 Years)	Primary Horizon Focus	Short-Term (<3 Years)
Client or Market Needs	Expert at Predicting	Cash Flow (In and Out)
Top Line or Revenue Driven by Pricing & Packaging of Goods & Services	Key Numbers	Bottom Line or Delivery Driven by Cost and Packaging of Goods & Services
Clients Want more work for less $	Primary Adversary	Employees Want more $ for less work
Finding new sources of liquidity via clients or partners	Pro at	Finding new sources of liquidity via employee (direct costs) or suppliers
Client Terms & Conditions	Words that Matter	Employee Terms & Conditions Taxes, Capital Investments, Financing costs

LEAD ROLE: Example Timeline/Context		
Assess & Design	Build/Calibrate to Run Rate (shared)	Maintain
1-2 Years	2-3 Years	3-5 Years

*Common guidelines for light/no-asset based business models are noted above.

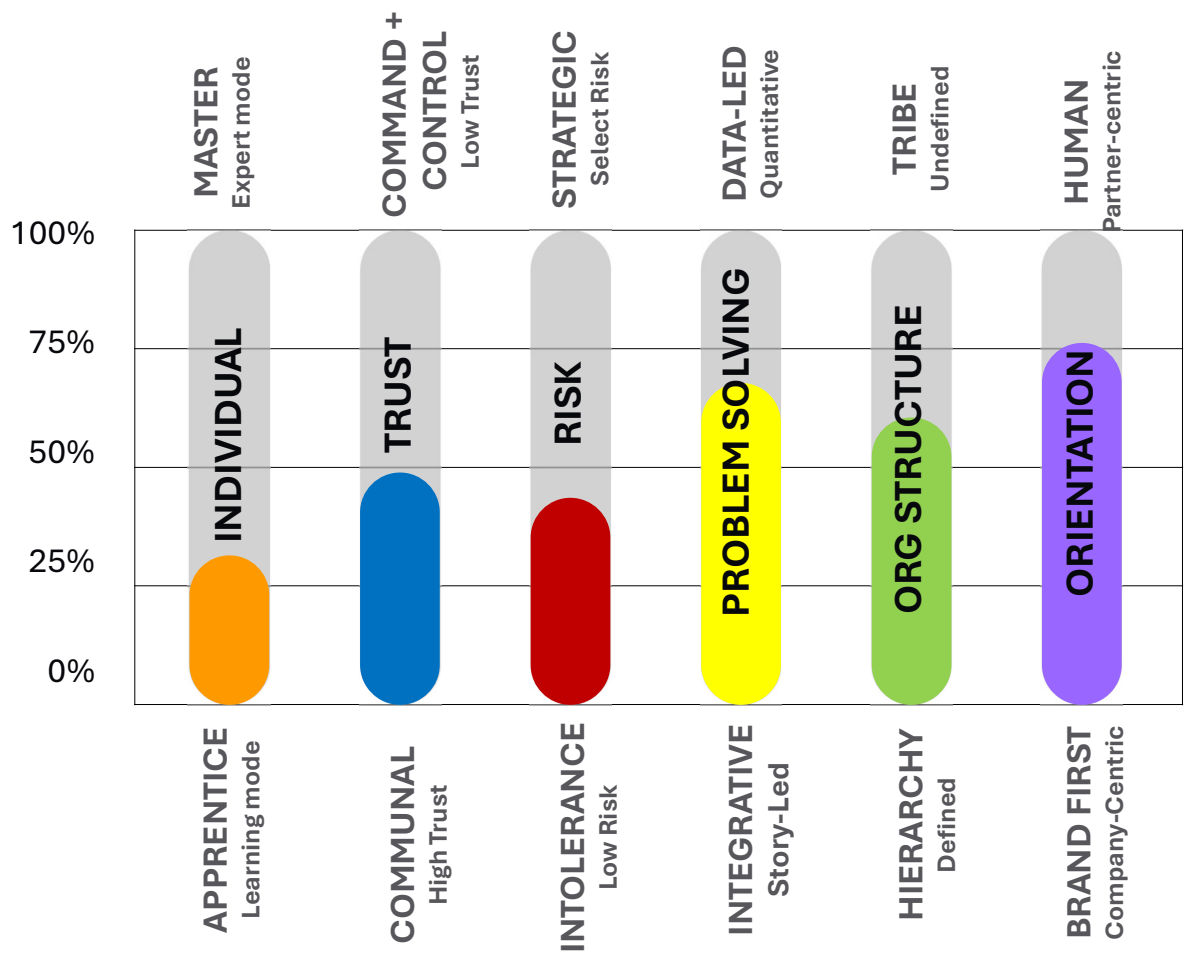
NOTE: USE CHUKKA'S LEADERSHIP STYLE ALIGNMENT GUIDE TO IMPROVE OPERATING SUCCESS AMONG A LEADERSHIP DUO

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CHUKKA TOOL : Culture + Leadership Style

CHUKKA TOOL: CULTURE - LEADERSHIP ALIGNMENT STYLE SIX

Acknowledge and/or agree on work styles ahead of starting a role on a project to reduce communication issues.



HOW TO USE

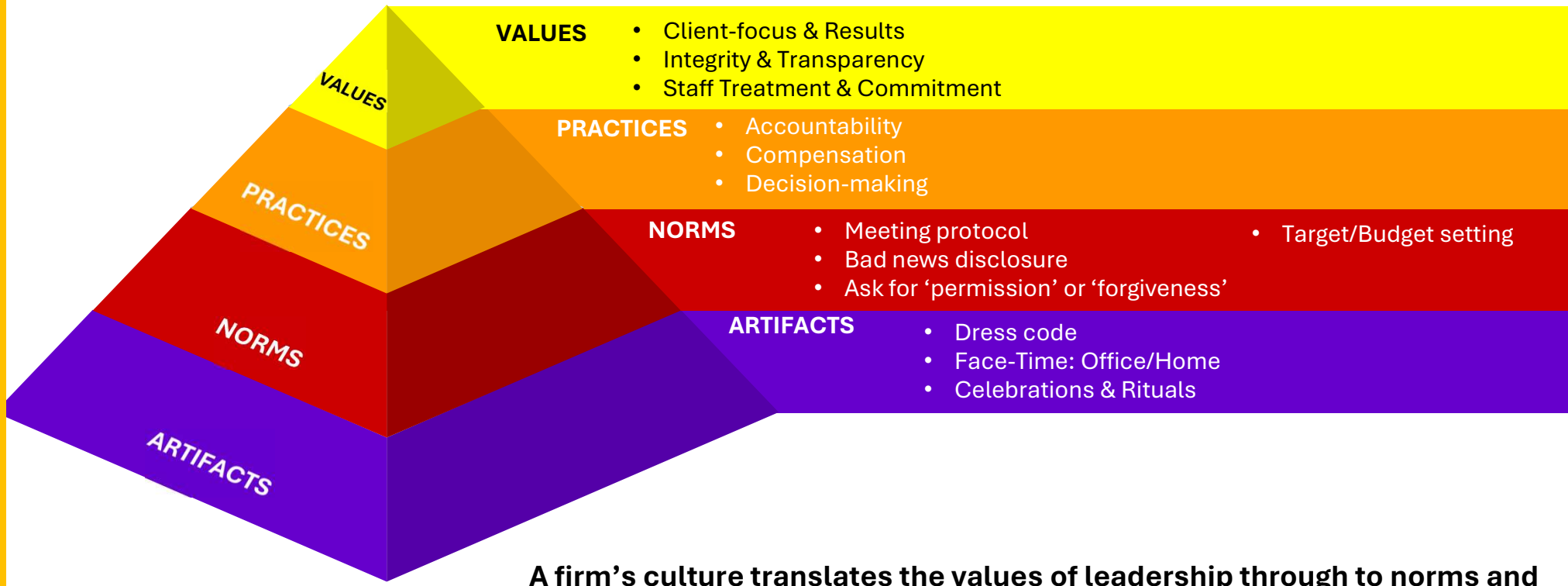
For a Team or Pair:

1. Each ROLE estimates their own preferred style independently for the endeavor/project
2. Topic by Topic, share self-score noting tips/preferences, including importance/flexibility
3. For areas where a notable gap exists between work styles, agree on awareness and a remedy (i.e. tie-braker) if problems are anticipated.

Another “selling the way your customer buys” tip that works with staff/direction is identifying if you are PROCEDURAL (prefer step by step direction) or OPTIONAL (just tell you the parameters and you’ll figure it out) learner.

MAP YOUR ORGNIZATION'S CULTURE

ALSO TRY CULTURE MAPPING: UNDERSTAND HOW IT DRIVES A TEAM!



A firm's culture translates the values of leadership through to norms and standards of operations inside and outside a business. The pyramid above provides some common areas to look at for clues on how to assess and if required shift your culture ... top down or bottom up.

RULE 1: Define your NUMBERS with WORDS

Use probability ranges to discuss risk of unlikely events or liabilities (likelihood + IMPACT $)

UNLEVERED TEAM

Everyone "eats onions"

Eating Onions is the level of balance where both sides are fed but neither is overjoyed about it. Equilibrium in this context is between Leadership and Delivery, boss/owner and labor. The largest cost of service firms is PEOPLE. The commitment to equilibrium as the business grows is as important to align on as the minimum level at which everyone is fed.

Additionally, there is the constant balance between the long-term/short-term incentives to retain and motivate higher performance from staff and cash flow variability or the ability to pay the incentives promised.

Chukka's professional services base line or "rule of thumb":

Topline or REVENUE is split as follows: 1/3 goes to Sales, 1/3 goes to Delivery and 1/3 goes to "house". House is used for debt service, management fees/overhead charges, dividends and/or reinvestment in growth.

"Unlevering Talent" requires segregating out the direct financing like debt or lines of credit and indirect financing like equity holding and/stock options, to align on "deferred compensation" versus "potential future compensation" in evaluating projected cash and/or equity requirements.

CHUKKA FINDINGS: if an employee believes they are owed a bonus/payout/position and does not receive it when the company is sold, future performance will be negatively impacted until remedied.

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UNDISCLOSED LIABILITIES

"everything on the table"

Even an "audited" balance sheet has undisclosed liabilities due to 'materiality' (not big enough), remote chance (the event which would cause the liability is remote/unknown), or the reporting "accounting standards" do not require it.

Agree on A SET of standards for the team including and importantly tax jurisdiction.

For example, in KSA (middle east) standard consulting contract terms include the ability for the local client to sue for up to 3X the fees paid to a consultant for 'lack of performance' by their standards. For this reason, a new KSA legal entity or office can be set up swiftly but must stay open over 10 years after ceasing business to service any claims by its KSA clients.

One can claim it is low likelihood that their KSA opportunity will not succeed, however, knowing that the GC is already shutting down two previous 'KSA opportunities', one stays quiet. ☺

A Fun Nun Mnemonic to remember the Great Lakes



Sister **M**ary **H**elen **E**ats **O**nions

Superior **M**ichigan **H**uron **E**rie **O**ntario



RULE 2: DEFINE your WORDS with CONTEXT

Use probability ranges to discuss risk of unlikely events or liabilities (likelihood + IMPACT $)

CAUSAL v. CONDITIONAL

"Time When" for the win!

In Dr. Krok's Gold Star challenge, "TIME WHEN" was often debated.

'Time when' is, in the context of the dialogue. whether an event is:

- CAUSAL: If this JOB occurs, then PAYMENT* happens
  *timing and amount are highly certain

or

- CONDITIONAL: If this JOB occurs, then PAYMENT** MAY happen.
  **timing and amount are dependent on other events (T&Cs)

Review and establish tracking of important client or partner terms, including standards, deviations and risks. Become familiar with current "local" standards to identify when tides are shifting. Obscure or uncertain wording can be clarified with an email and could potentially save in unnecessary legal fees.

Many Human Intelligence (aka professional service) M&A deals have both parts in the consideration or purchase price:

(1) CASH at CLOSE: Guaranteed purchase price (subject to working capital adjustments); and
(2) EARN-OUT: Contingent future consideration subject to achieving growth and/or operating targets. Properly structured, an earn-out can claim capital gains tax as long as success is NOT tied to employment of the payee. Otherwise, normal income tax rates apply.

COMMITMENT

"Worth the paper its written on"

One should also "eat onions" or be objective/unbiased when assessing the risk or commitment of those on the same or opposite side of the table (boss/employee, buyer/seller, boss/ owner). While agreeing on details of terms during negotiations of a contract or sale is the goal, remain cautious of the stage of discussions and momentum or pace of progress.

DEAL SCALE (on paper form):



NDA Non-Disclosure Agreement/ Confidentiality: Commit to not using other sides information competitively (either for sale or to develop competing product internally)



MOU Memorandum of Understanding: Key terms have NOT been agreed to but commit to keep trying. Any areas of agreement are noted.



LOI Letter or Intent (or Term Sheet): Key terms have been agreed to but remain subject (or can change) as result of due diligence. KEY BINDING term is typically EXCLUSIVITY or the "no-shop" provision that keeps a seller from soliciting or engaging with other buyers for set period to allow for diligence.



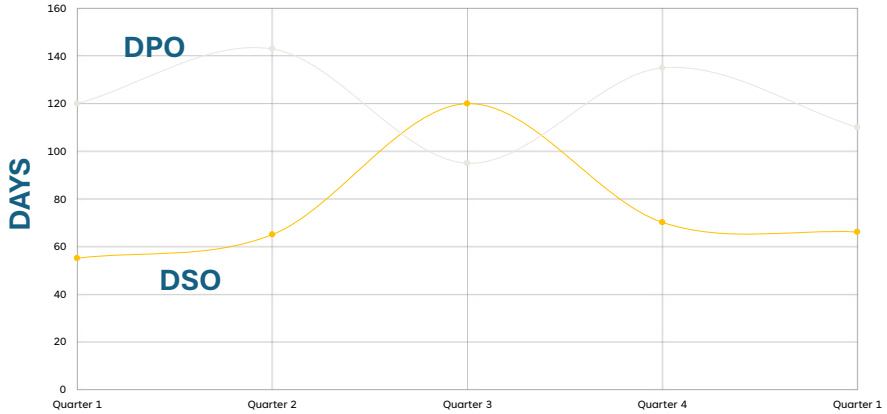
SIGNED TRANSACTION DOCUMENTS/CONTRACTS are BINDING.

Due to the complexity of operating taxable entities, there is not a manner with which to "quitclaim deed" a business safely. Taxes pierce through the "deal veil" and can come back to hit the seller if the purchaser defaults on subsequent payment. This includes labor/payroll taxes too.

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3 Calibrate the Opportunity Cash Conversion Cycle baseline

Know which way your grass grows
The best Execution leader used to claim she needed to know which way the grass grows before mowing it.
Mapping out the current and projected activity and cash flows (in and out) provides your Opportunity's "currency"



DSO: Days Sales Outstanding
[Accounts Receivable/ Trailing 3 Month Sales]
91 Days
DSO measures how long to get paid for services, including unbilled and deferred revenue balances.

DPO: Days Payable Outstanding
[Accounts Payable/ Trailing 3 Month Expenses]
91 Days
DPO measures how long to pay for delivery, including staff incentives

Baseline Cash Conversion

Map out historical DSO and DPO trends identifying tight liquidity periods (smaller gap) or DPO<DSO

Track trend line against to identify changes in Client behavior. DSO is already rising for many in 2026 as credit availability tightens.

Use cash planning to shift T&Cs or more broadly introduce NEW Packaging and Pricing options for clients and delivery teams to improve your Opportunity's funds flow.

PACKAGING + PRICING of services and goods is the result of innovation. Audits used to have paper workpapers testing paper numbers, then digital workpapers testing paper numbers, and then digital workpapers testing digital controls of digital numbers. Pricing and delivery for auditing the same business changed in terms of how long, how many people and what the audit was "worth". Know your current P&P patterns, trends and options to stay current with your market.

CHUKKA includes Pricing + Packaging workshops to introduce different business models and use cases. See following example of Professional Service Job models.

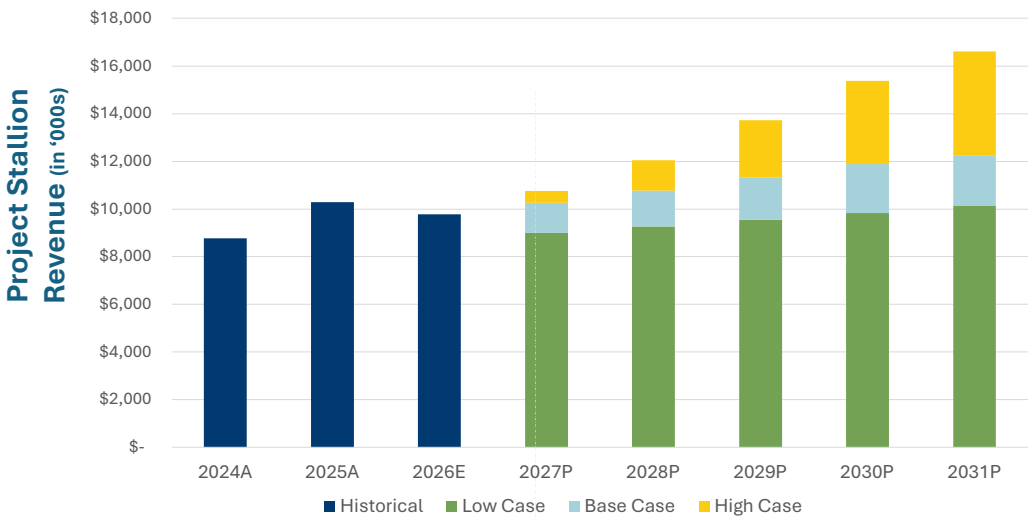
CHUKKA TOOL : SERVICE JOB BUSINESS MODELS

CHUKKA TOOL BUSINESS MODELS by Professional Services JOB

Sample packaging + pricing characteristics for consulting firms

SERVICE JOB	Operate	Optimize	Turnaround	Growth	Transform
Description	**Managed Services** ***We do it for you***	**Performance Improvement** ***We help you do it better***	**Regulated or Distressed Advisory** ***We save you***	**Find new markets Strategy via new markets or channels**	**Innovation via organic (R&D) or inorganic (M&A) activities**
Revenue Model ***Pricing + Packaging***	Volume-based (pay per click), Subscription (flat rate) or contingency (% of collection)	Transactional (fixed fee or 'fee range' per project)	Contingency (based on metrics outlined in T&C)	Transactional	Contingency (IB) or Transactional
Relative Bill Rate	$	$$ - $$$	$$-$$$$	$$-$$$$	$$-$$$$
Client Relationship	Long-term (multi-year)	Series or solo projects	Dedicated (subject to regulations)	Series or solo projects	Series or solo projects and brokering.
EBITDA Margin Ranges (illustrative)	8-12%	12% to 22%	15%- 30%	15% - 30%	15%-30%
Valuation Multiples	2-3X Revenue w/ multi-year contracts	0.8-1.2X Revenue w/ multi-year relationships	1-1.5X Revenue w/ multi-year relationships	1-1.5X Revenue w/ multi-year relationships	1-1.5X Revenue w/ multi-year relationships
Examples	Call centers Payroll processing Billing & Collections Prisons etc.	Tech systems (oracle, salesforce, workday) Big 4	Restructuring & Turnaround attorneys, financial advisors, etc. (regulated)	MBB (Strategy Firms) Expert networks SHREK (Executive search) Investment Banks	MBB Investment Banks (IB) SHREK Digital Products

4 Map the PLAYS to the Opportunity's Big, Better, Best



5-YEAR Target Valuation

BEST @ $15M
- Revenue growth @ 10% to 12%
- Grow Margins (23% to 24% for the House)

BIGGER @ $11M
- Revenue growth @ 5%
- Flat Margins (23% for the House)

MAINTAIN @ $9.4M
- Flat/Inflation Revenue (2-3%)
- Flat Margins (23% for the House)

Each path can include 2 or more piloted revenue streams (different markets or jobs) to increase probability of reaching target.

PROFESSIONAL SERVICE SCALING vs VALUATION TARGETS

Professional Services	Target MARGINS	Client Base Lifecycle (Useful Life)	Deal $ 'Fath Math' REVENUE MULTIPLE	Value ACCELERATORS
Premium	>20 %	2-3 Years	1.2X – 1.4X	"Rainmaker" Partners
Standard	15-20%	2-3 Years	0.8-1.1X	Large clients and/or efficient delivery system/team
Managed Services	8-12%	4-6 Years	2X- 4X	Higher multiple for larger client install base

5 EXIT VALUE: STOCK VS ASSET EXIT

CALCULATE THE GROSS TO NET DEAL CASH UNDER TWO SCENARIOS

STOCK DEAL

Purchasing 100% company stock transfers all assets and liabilities (disclosed and undisclosed) held by the business entity to the buyer

Benefits:

- Ensure all operating systems transfer (more protected)
- All employees transfer on existing contracts
- Tax-efficient (capital gains tax treatment)

Risks:

- Liable for undisclosed liabilities/obligations (more risk)

Sample Calculation

Purchase Price (A)	**$10,000,000**
Less: Allocated to balance sheet (B)	(2,950,000)
Capital Gains (A-B)	$7,050,000
Capital Gains tax @ 20% (C)	(1,410,000)
Net cash (purchase price less tax) (A-C)	**$8,590,000**

NOTE: Earn-outs or contingent purchase price payments also receive capital gains tax treatment, but CANNOT be contingent on anyone's employment status, or it triggers operating income tax rates.

ASSET DEAL

Buyer purchase listed assets and liabilities held by the business entity including client contracts/records, ability to hire staff, existing projects, in addition to balance sheet items.

Benefits:

- Select assets and liabilities to transfer (less risk)
- Hire select employees on new contracts

Risks:

- Ensure all relevant relationships captured
- Tax inefficient (larger tax implication)

Sample Calculation

Purchase Price (A)	**$10,000,000**
Less: Net Assets purchased (B)	(950,000)
Less: Capitalized Client relationships (B)	(2,000,000)
Operating Gain (A-B)	$7,050,000
Income tax (37%) (C)	(2,609,000)
Net cash (purchase price less tax) (A-C)	**$7,391,000**
Incremental tax from asset deal	**$1,199,0000**

Asset deals often sign and then subsequently close 30-60 days later to allow for employees and client contract transfers.

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THE KILLERS CONSIDERATION: ARE WE HUMAN OR ARE WE DANCER?

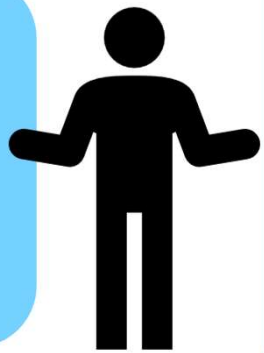
The most correlated indicator of success in a deal is engaged leadership and team. If you lose the leadership, the firm value disappears in under 2 years without intervention. There is NO INSURANCE policy for good results, but other instruments exist that pay-off cash for non-performance and/or transfer the beneficiary of the efforts. Make sure as a firm, benefit dollars are investing in incentivizing team performance over hedging on non-performance. The value of an ongoing asset is at least twice the dead liquidation value in Human Intelligence firms.

PERSONAL CAPACITY

HEALTHCARE
Access and Afford
- Emergency Care
- Disease/ Treatment
- Mental Health
- Addiction
- Prenatal/ Maternal care

WEALTH
Ability to create and hold
- IP Patent/ Ownership
- Client relationships
- License to practice
- Visa/ Work Permit
- Employment
- Education

LEGAL/ STATE
Permanent Impairment
- Fraud/ Insider trading
- Prison/ Felony
- Bankruptcy



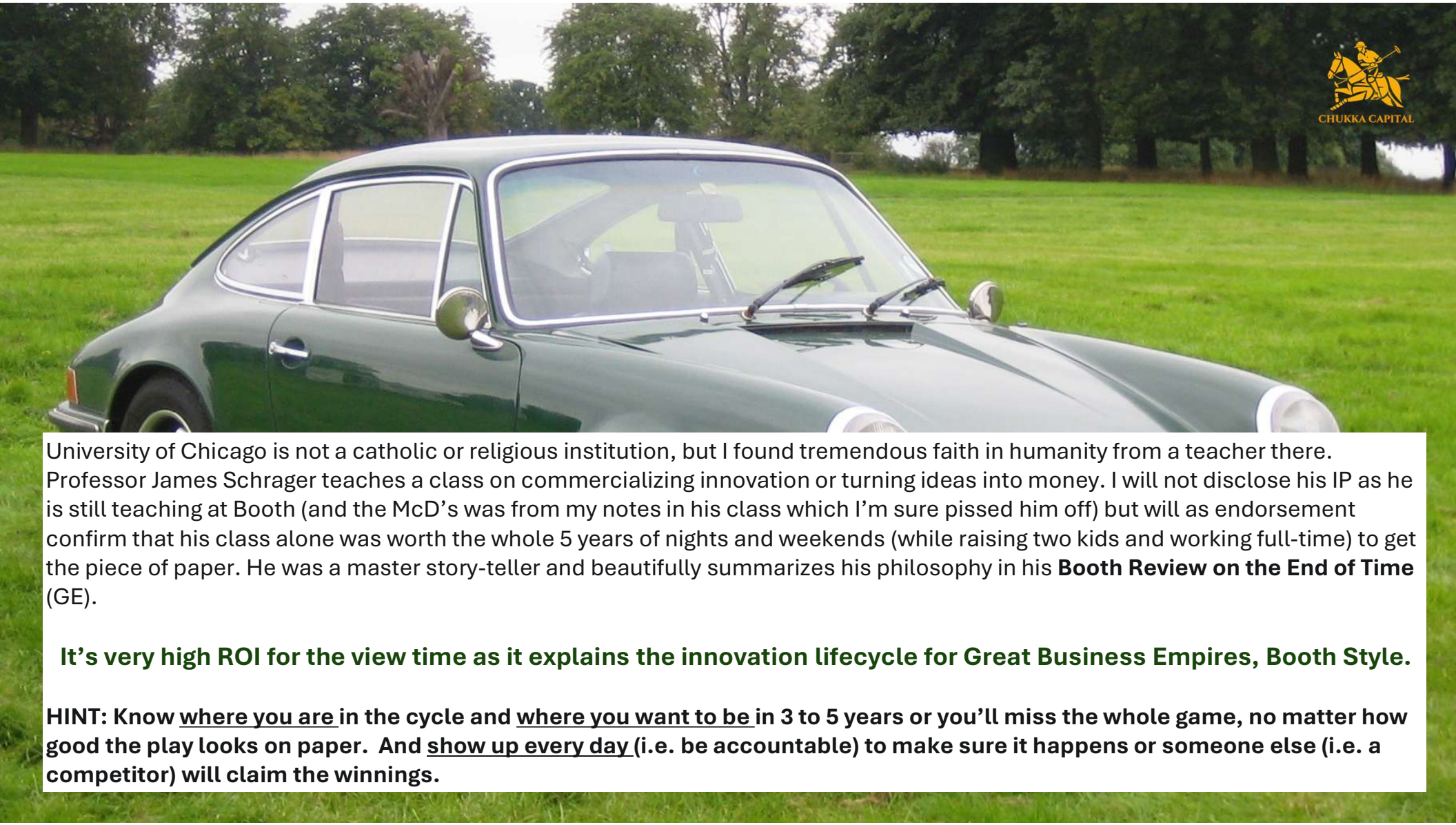
CAPACITY LEVERAGE

FINANCIAL INSTRUMENTS
Pay-off/ Leverage
- ST/LT DISABILITY
- HEALTH INSURANCE
- PENSION/ RETIREMENT PLANS
- LIFE INSURANCE
- PROFESSIONAL LIABILITY
- WORKERS COMP INSURANCE
- INHERITANCE
- REAL ESTATE OWNERSHIP

PIECE OF PAPER THAT MOVES BENEFICIARY
- Power of Attorney
- Guardianship
- Custodian
- Conflict of Interest
- NDA
- A CONTRACT: 'Insurable Interest'
- Non-Solicit/Non-Compete
- Death / Birth Certificate

"Beinless" project: There has been an urban myth consulting project that's been pitched multiple times to develop a leadership dashboard to track and value leaders like athletes across PE investments. There is only one firm that has this 'propensity to work' with ROI team data (both compensation and productivity)..... Spoiler alert: it's the insurer again..... A game ON talent!

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University of Chicago is not a catholic or religious institution, but I found tremendous faith in humanity from a teacher there. Professor James Schrager teaches a class on commercializing innovation or turning ideas into money. I will not disclose his IP as he is still teaching at Booth (and the McD's was from my notes in his class which I'm sure pissed him off) but will as endorsement confirm that his class alone was worth the whole 5 years of nights and weekends (while raising two kids and working full-time) to get the piece of paper. He was a master story-teller and beautifully summarizes his philosophy in his **Booth Review on the End of Time** (GE).

It's very high ROI for the view time as it explains the innovation lifecycle for Great Business Empires, Booth Style.

HINT: Know <u>where you are</u> in the cycle and <u>where you want to be</u> in 3 to 5 years or you'll miss the whole game, no matter how good the play looks on paper. And <u>show up every day</u> (i.e. be accountable) to make sure it happens or someone else (i.e. a competitor) will claim the winnings.





LET CHUKKA PREP YOUR TEAM FOR THE GAME AHEAD

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